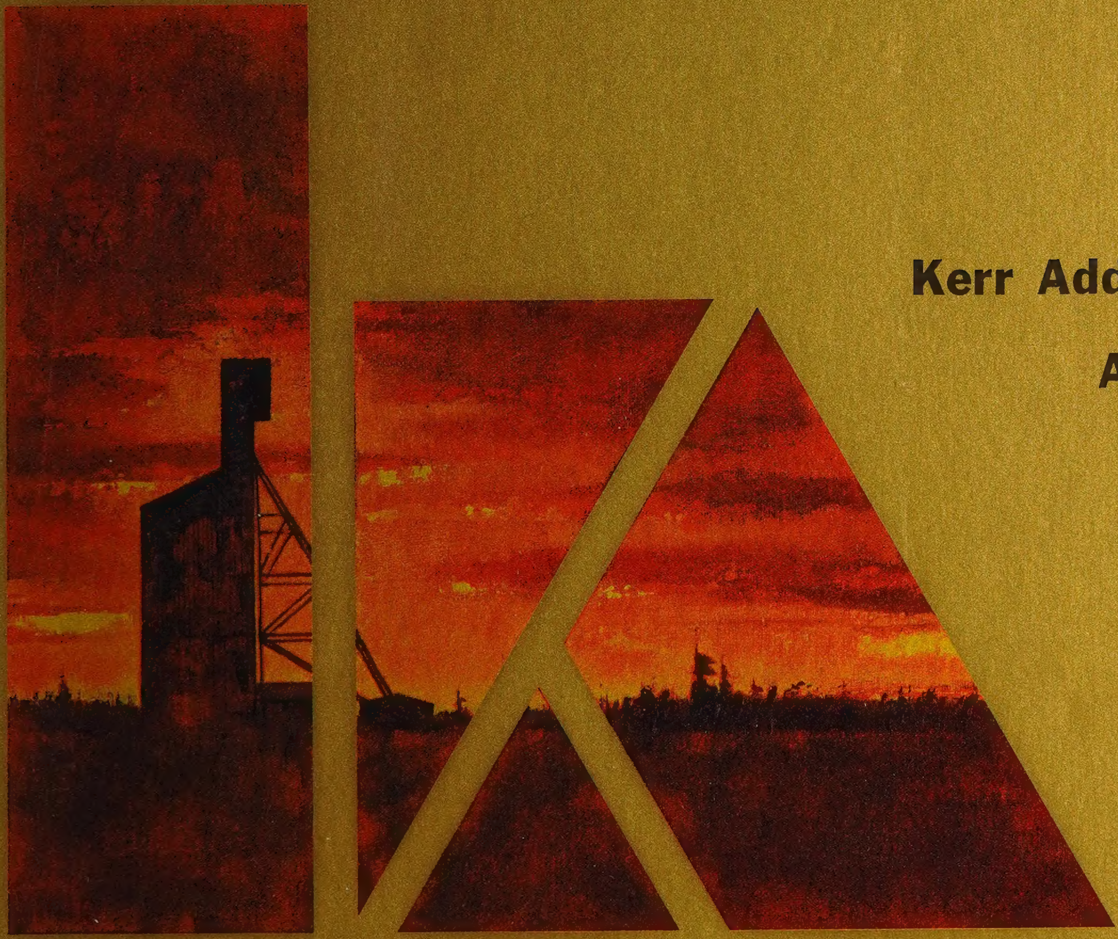
40 YEARS OF PROGRESS



Kerr Addison Mines Limited

Annual Report 1976

Kerr-Addison Gold Mines Limited
Virginiatown, Ontario, 1956 — at 4,500 tons per day

Kerr Addison Mines Limited

DIRECTORS:

Allan Findlay, Q.C.
Partner
Tilley, Carson & Findlay

J. O. Hinds
Executive Assistant to the President
Noranda Mines Limited

William James
President
Kerr Addison Mines Limited

James W. McCutcheon, Q.C.
Partner
Shibley, Righton & McCutcheon

D. G. Neelands, Q.C.
Chairman & Chief Executive Officer
Canada Permanent Mortgage Corporation

J. P. W. Ostiguy
President & Chief Executive Officer
Crang & Ostiguy, Inc.

Alfred Powis
President & Chief Executive Officer
Noranda Mines Limited

W. H. Rea
Chairman of the Board
Great Canadian Oil Sands Limited

W. S. Row
Chairman of the Board
Noranda Mines Limited

M. D. Rowswell
Executive Vice-President
Kerr Addison Mines Limited

D. E. G. Schmitt
Vice-President — Mines
Noranda Mines Limited

OFFICERS:

W. S. Row
Chairman of the Board

William James
President & Chief Executive Officer

M. D. Rowswell
Executive Vice-President

P. S. Cross
Vice-President — Irish Operations

I. D. Bayer
Treasurer

J. B. Sage
Secretary

D. A. Lowrie
Vice-President — Exploration

S. Pataran
Manager of Operations

A. H. Cross
Comptroller

OPERATIONS:

The Kerr Addison Mine
W. G. Hargrave, Manager

Agnew Lake Mines Limited
R. G. Muscroft, Manager

Blue Hill Joint Venture
G. M. Deutman, Manager

Grum Joint Venture
J. K. Carrington, Project Superintendent

Mogul of Ireland Limited
P. S. Cross, Chairman
& Managing Director
H. K. Fredrickson, Manager

HEAD OFFICE AND EXPLORATION OFFICE:

P.O. Box 91
Commerce Court West
Toronto, Ontario
M5L 1C7

REGISTRARS AND TRANSFER AGENTS:

Canada Permanent Trust Company, Toronto
Registrar & Transfer Company, New York, N.Y.
and Jersey City, N.J.

ANNUAL MEETING OF SHAREHOLDERS:

Monday, April 25, 1977, 12:00 noon
in the Sheraton Room
King Edward Hotel, Toronto

Financial Summary:

	1976	1975	1974	1973	1972
Millions of Dollars					
Production revenue	$38.4	$25.7	$37.0	$32.7	$21.7
Investment income	2.9	5.3	5.7	3.9	3.0
Income and mining taxes	4.6	1.6	7.9	4.5	1.9
Net income	6.8	9.0	15.3	9.9	5.9
Dollars Per Share					
Net income	$ .71	$ .94	$ 1.61	$ 1.04	$ .62
Income and mining taxes	.48	.17	.83	.47	.20
Dividends declared	.50	.50	.70	.60	.50
Net value of current assets and investments at market	9.30	9.83	9.06	12.74	10.38

The Gold Picture:

Directors' Report to the Shareholders

Forty years ago, on April 9, 1936, Kerr-Addison Gold Mines Limited, the predecessor of Kerr Addison Mines Limited, was incorporated to explore and assess mining claims, originally staked in 1906 on the north-east arm of Larder Lake, by Mr. H. L. Kerr and Dr. William Addison. From initial production in 1938, when reserves were indicated to be 150,000 ounces, the Kerr Addison mine has gone on to produce 9.6 million ounces of gold, which provided the foundation for the future growth of the Company.

This 1976 Annual Report highlights the significant events of the past forty years, with particular emphasis on mining operations. The wealth generated from these mines has been either reinvested in mining resources or paid to shareholders in the form of dividends. Kerr Addison has paid dividends consistently for the past 37 years, with accumulated payments amounting to $125 million which is 73% of total net profits.

Successful mining companies are a complex mixture of good orebodies and effective, foresighted people. This Company has been fortunate to have had such a combination since inception. On April 25, 1977, Mr. W. S. Row, Chairman of the Board, will have completed 40 years with Kerr Addison. During this time, he has ably directed the development and exploitation of the original Kerr Addison orebody at Virginiatown, Ontario and has shaped the policy and philosophy of this enterprise.

Two of the mining properties currently being explored and developed by the Company are the result of discoveries and decisions made sometime ago, and provide excellent examples that exploration and development expenditures do not always provide immediate financial return. The claims which were to become the Grum Joint Venture were initially staked by Prospectors Airways Company, Limited, another predecessor of Kerr Addison, in 1953 and it was not until the mid-1970's that diamond drilling indicated the existence of major tonnages of zinc-lead mineralization. The Agnew Lake property was originally optioned in 1965, and went through various stages of exploration, development, shutdown and research, prior to the decision during 1976 to place the mine in production.

Although 1976 was not a good year in terms of earnings, which were below those of the previous few years, it was a successful year in most aspects of the Company's affairs. Excellent progress was made on the development and financing of the Agnew Lake project; the Company increased its interest in the Agnew Lake property from 81.7% to 90%; a 75% interest was acquired in Mogul of Ireland Limited, and the programme of underground evaluation and metallurgical studies on the Grum Joint Venture continued to increase our knowledge of this deposit.

Earnings for 1976 amounted to $6.8 million, or 71¢ per share, compared to the 94¢ per share earned in the previous year. These earnings include profit on the sale of investments of $2.4 million, or 25¢ per share, and a loss of $0.7 million, or 7¢ per share, due to a reduction in the carrying value of the Company's interest in the mining plant at the Blue Hill Joint Venture. Special items included in 1975 earnings amounted to 19¢ per share. The impact of the lower level of gold prices during 1976 on profits from the Kerr Addison mine and reduced mining investment income were the two main factors adversely affecting earnings.

Cash requirements of $33.3 million were necessary to finance capital expenditures and investments made by the Company during 1976. Expenditures of $16.5 million on the Agnew Lake project were financed by proceeds of $23.8 million from the sale of borrowed uranium concentrates. The purchase of the 75% interest in Mogul of Ireland Limited ($8.8 million), the acquisition of the 8.3% minority equity and $4.3 million debentures debt of Agnew Lake Mines Limited ($4.6 million), and the expenditures on the Grum project ($3.4 million) were financed from operating earnings and internal funds, as well as bank borrowings which amounted to $3 million at year end. During 1976, the Company paid dividends of $4.8 million, or 50¢ per share. The net value of current assets and investments at market decreased during the year to $89 million,

Directors' Report to the Shareholders (continued)

or $9.30 per share, at December 31, 1976, compared to $9.83 per share a year earlier.

Production of gold from the Kerr Addison mine at Virginiatown, Ontario, increased to 111,000 ounces from the 103,000 ounces produced in 1975. However, pre-tax earnings declined 50% from 1975 levels, as the price of gold, under pressure from I.M.F. sales, averaged $125 (U.S.) per ounce during 1976 compared to $161 per ounce in 1975. In August 1976, with gold declining below $110 per ounce, it became necessary to restrict operations to the higher grade areas of the mine. This resulted in a reduction in the work force and the mining of higher grade ore, thereby restoring operating margins during the fourth quarter. At the current level of gold prices, ore reserves are sufficient for approximately three years of operations.

Earnings from the Mogul of Ireland zinc-lead mine located in County Tipperary, Republic of Ireland, were above expectations. Increased returns on zinc concentrate sales, due to weakness in the pound sterling and stronger lead prices, more than offset the effect of Irish inflation rates of 21% on mine operating costs. Production during 1976 amounted to 1.0 million tons with a grade of 6.2% zinc and 2.3% lead; however, ore reserves declined by only 0.5 million tons to 5.0 million tons at year-end. Kerr Addison's 75% share of dividends since date of acquisition in March 1976, amounted to $2.6 million.

The 9.8% owned Canadian Electrolytic Zinc reduction plant in Valleyfield, Quebec, operated slightly above break-even during 1976. The combination of the continued weak demand for zinc metal and expanded plant start-up problems resulted in production averaging 344 tons per day, or 56% of plant capacity.

The Blue Hill Joint Venture zinc-copper mine near Blue Hill, Maine, in which Kerr Addison holds a 60% interest, again made a small operating profit, but a net loss after depreciation and depletion. Production during 1976 amounted to 176,000 tons with a grade of 5.1% zinc and 1.2% copper.

In March 1976, due to the strong uranium market, the Company announced the decision to place the 90% owned Agnew Lake uranium property, located west of Sudbury in northern Ontario, into production. The availability of men and equipment, due to the low level of activity in the mining and construction industries, has been beneficial to the project, and progress on surface construction and underground development has been excellent. Initial production of U_3O_8 in concentrates is now expected to commence during the second quarter of 1977, with the mining plant operating at the rated capacity of one million lbs. of U_3O_8 per year by the end of 1977. With the project proceeding ahead of schedule, capital expenditures are expected to be below the approved level of $37 million. As in the case with most new mines, and assuming a strong demand for uranium, heavy development expenditures will continue during the initial years of operations.

On September 2, 1976, Agnew Lake Mines Limited entered into an agreement with Eldorado Nuclear Limited to borrow 600,000 pounds of U_3O_8 contained in concentrates, and has an option to borrow up to a further 1,400,000 pounds of U_3O_8 by December 31, 1977. The agreement provides for Agnew Lake to pay interest on the outstanding value of U_3O_8 borrowed and must re-deliver concentrates of like quantity within four years of the date of borrowing. The loan is secured by a floating charge on Agnew Lake's assets as well as a mortgage on the Agnew Lake uranium property, and is guaranteed by Kerr Addison. Kerr Addison has agreed to pledge investment assets to the current value of the first million pounds of concentrates to be borrowed under the agreement. Proceeds from the sale by Agnew Lake of any borrowed concentrates, in excess of the first one million pounds, will be escrowed until such concentrates are re-delivered.

This loan agreement provides Agnew Lake with flexibility in meeting initial deliveries under uranium supply contracts. On October 15, 1976, Agnew Lake sold and delivered the initial 600,000 pounds of borrowed U_3O_8 to the Korea Electric Company, and the proceeds of $23.8 million are being used to finance development of the mine.

On December 13, 1976, Agnew Lake entered into formal agreements with the Yankee Atomic Electric Company, of Westborough, Massachusetts, Vermont Yankee Nuclear Power Corporation, Maine Yankee Atomic Power Company and the Public Service Company of New Hampshire for the sale of a total of 1,100,000 pounds of U_3O_8 for delivery between 1977 and 1980. At year-end, these agreements were awaiting approval by the Governments of Canada and Ontario.

On February 10, 1977, the Company announced that Agnew Lake had entered into an agreement with the Swedish Nuclear Fuel Supply Co., which acts as a purchasing agent for the major Swedish utilities, for the sale of 1,750,000 pounds of U_3O_8 for delivery between 1977 and 1981. This agreement is conditional upon the approval of the Governments of Sweden and Canada. At present, uranium cannot be exported to Sweden, as the upgrading of the nuclear safeguard treaty between Canada and Sweden is being negotiated.

The on-site evaluation programme at the 60% owned Grum Joint Venture deposit, situated near Faro, in the Yukon, was completed in October and the property was temporarily placed on a care and maintenance basis. During 1976, 4,700 feet of underground headings were driven, and 77,000 feet of underground and surface diamond drilling were completed. The results of the past two years' diamond drilling and sampling are now being reviewed, and a detailed mineral reserve calculation was in progress at year-end. Initial indications are that a portion of the reserve could be amenable to open-pit mining. Encouraging progress resulting from metallurgical studies and test work done throughout the year will be confirmed by further bench scale test work and bulk pilot plant runs during 1977. The Company will continue to gather information to determine the economic viability of the deposit.

During the past few years, capital investment by the mining industry, with the possible exception of the energy resource area, has been substantially reduced. This has been partly due to world metal market conditions; however, the climate of uncertainty which has existed in Canada, with the ever changing ground rules, has shaken the confidence of the private sector. It is encouraging to note that, recently, some Ministers in the Provincial and Federal Governments are becoming aware that stable conditions are necessary before new capital will be committed and that profits are necessary to get the country back to its previous growth potential. During the year, the Company has had substantial assistance from various government departments and it is a pleasure to acknowledge the co-operation provided by the Federal Department of Energy, Mines and Resources, the Atomic Energy Control Board and the Ontario Ministries of the Environment and of Natural Resources in expediting the development of the Agnew Lake deposit.

Agnew Lake should provide an important addition and diversification to the Company's earnings base beginning in the second half of 1977. Kerr Addison is looking ahead with optimism to the next few years, and it is anticipated that the Company's heavy expenditures and investments made in the mining industry during the past few years will result in an improved return to shareholders.

The optimism is based to a large extent on the results of the past and current efforts of the people in this organization.

On behalf of the Board,

William James
President

Toronto, Canada
February 14, 1977

KERR-ADDISON GOLD MINES LIMITED

(NO PERSONAL LIABILITY)

BALANCE SHEET

AS AT DECEMBER 31, 1936

ASSETS

Mining Claims at Cost:		
Ten Crown Patent Grant claims situated in the Larder Lake Mining Division, District of Temiskaming, Province of Ontario, Numbers H.S. 164, 165, 166; H.J.B. 28, 29, 30, 31, 32, 33; H.F. 33; acquired at a consideration given therefor of 1,250,000 shares of the capital stock of the company issued as fully paid and non-assessable, and are carried upon the company's books at the value thereof...		$1,250,000.00
Six unpatented claims and three patented claims, situated in the Township of McGarry, District of Temiskaming, Province of Ontario, Numbers H.S. 133, 134, 135; L. 30521, 30522, 30523; L. 31160, 31161, 31162; acquired at a consideration given therefor of $1,062.75 in cash, and 40,000 shares of the capital stock of the company issued as fully paid and non-assessable, and are carried upon the company's books at the value thereof		41,062.75
		$1,291,062.75
Expenditures to Date:		
Buildings	$ 8,666.89	
Plant and Equipment	14,053.51	
Exploration and Development	52,134.51	
Mine Office Expense	2,436.40	
Head Office Expense	1,356.63	
Incorporation and Organization	2,580.75	
		81,228.69
Cash in Bank		58,098.10
		$1,430,389.54

LIABILITIES

Accounts Payable and Accrued Charges		$ 9,133.54
Capital Stock:		
Authorized—		
5,000,000 shares of $1.00 each	$5,000,000.00	
Subscribed and paid up—		
2,165,006 shares	$2,165,006.00	
Less: Discount on shares sold	743,750.00	
		1,421,256.00
		$1,430,389.54

CERTIFICATE

We hereby certify that the above Balance Sheet is, in our opinion, properly drawn up so as to exhibit a true and correct view of the company's affairs, according to the best of our information and the explanations given to us and as shown by its books. We further certify that all our requirements as auditors have been complied with.

FRED PAGE HIGGINS & COMPANY,
Chartered Accountants.

Toronto, March 10, 1937.

In the Beginning

KERR-ADDISON GOLD MINES LIMITED, VIRGINIATOWN, ONTARIO
ORIGINAL OPERATING PLANT, 1938 — AT 500 TONS PER DAY

Original Management Team — 1938

FRONT ROW: R. L. Malane (Chief Electrician), W. S. Row (Mine Manager), H. McIntyre (Chief Mining Engineer).
SECOND ROW: J. Gardiner (Chief Assayer), J. Baker (Chief Geologist), H. Anderson (Master Mechanic).
THIRD ROW: J. Metz (Mine Superintendent), L. Becigneul (Chief Accountant), J. Bennett (Mill Superintendent).

Kerr Addison Mines Limited 40 YEARS OF PROGRESS

1936 Kerr-Addison Gold Mines Limited incorporated April 9th, 1936 to further explore and sample gold mineralization indicated on ten patented claims known as the Kerr-Addison and Reddick groups and located on the north-west shore of the north-east arm of Larder Lake, three miles west of the Quebec-Ontario boundary in McGarry Township.

1937 Diamond drilling and underground development sampling, by early 1937, indicated a potential 1,000,000 tons of ore. In July a decision was made to prepare a mine for production at an initial rate of 500 tons per day with eventual production to be 1,000 tons per day.

1938 On May 2nd, 1938, the mine commenced production and averaged a rate of 600 tons per day to year-end.

1940 Mine production increased to 1,200 tons per day. First dividends paid to shareholders.

1941 Mine production increased to an average of 1,900 tons per day throughout the year.

1945 Ore reserves were 8,380,000 tons averaging 0.198 oz. gold at year-end, and a decision to increase the mine production rate to 4,500 tons per day was reached.

1948 On December 6th, 1948, the expanded mill went on stream and operated at capacity until 1960.

1954 Zinc-lead mineralization discovered by Prospectors Airways Company, Limited on Vangorda Creek in the Yukon.

1960 Discovery of copper mineralization in Joutel Township, Quebec, later to be brought into production through the incorporation of Joutel Copper Mines Limited.

1963 On November 18th, 1963, the present Company, Kerr Addison Mines Limited, was formed from the amalgamation of Kerr-Addison Gold Mines Limited, Anglo-Huronian, Limited and Bouzan Mines Limited, together with Prospectors Airways Company, Limited.

40 YEARS OF PROGRESS (continued)

1964 Discovery of zinc-lead mineralization near Swim Lake, some six miles from Vangorda Creek, in the Yukon.

1965 Kerr Addison options uranium property in Hyman Township, northern Ontario from Quebec Mattagami Minerals Limited. This property was subsequently acquired by Agnew Lake Mines Limited following its incorporation in 1967.

1966 Discovery by the Icon Syndicate of copper mineralization in Sullivan Township, north-western Quebec.

1967 Joutel Copper Mines Limited (Kerr Addison 63% interest) commenced production at 600 tons per day during February, 1967.

Icon Sullivan Joint Venture (Kerr Addison 23% interest) commenced milling May 24th, 1967, at a rate of 500 tons per day.

Agnew Lake Mines Limited (Kerr Addison 80% interest) committed to an underground evaluation programme of its diamond drill-indicated uranium mineralization.

1968 On April 30th, 1968, Kerr Addison acquired assets of Quemont Mining Corporation, Limited and Normetal Mining Corporation, Limited which included their combined interest of 9.75% in the Canadian Electrolytic Zinc Company.

The Fernandez Joint Venture (Kerr Addison 26% interest) was formed to explore for uranium mineralization on some 250,000 acres leased from the Fernandez Company in the Ambrosia Lake District of New Mexico.

1970 Kerr Addison optioned property near Blue Hill, Maine from Black Hawk Mining Limited, later to be the Blue Hill Joint Venture (Kerr Addison 60% interest).

1971 Exploration and development of the uranium mineralization by Agnew Lake Mines Limited was suspended due to prevailing low uranium prices.

A 22% interest in the National Zinc Company of Bartlesville, Oklahoma, was purchased by Kerr Addison.

Operations were terminated November 11th, 1971, at the Quemont property, as ore reserves were exhausted.

Kerr Addison sold its 13% interest in a uranium property located near Mount Taylor in the Ambrosia Lake District of New Mexico for $5.8 million.

1972 Kerr Addison commenced again to sell gold at free world prices.

The zinc-copper mine of the Blue Hill Joint Venture commenced production October 4th, 1972, at a rate of 600 tons per day.

1973 Kerr Addison assigned its 26% interest in six sections containing uranium mineralization, held under the Fernandez Joint Venture, to Gulf Minerals for $5.7 million.

Discovery of zinc-lead mineralization near Vangorda Creek in the Yukon which later became the Grum Joint Venture (Kerr Addison 60% interest).

1974 The sale of Kerr Addison's 22% interest in the National Zinc Company.

The purchase by Kerr Addison of the 10% interest in Agnew Lake Mines Limited held by Quebec Mattagami Minerals Limited.

The sale to Uranerz Exploration and Mining Limited of a 10% interest in the uranium property held by Agnew Lake Mines Limited.

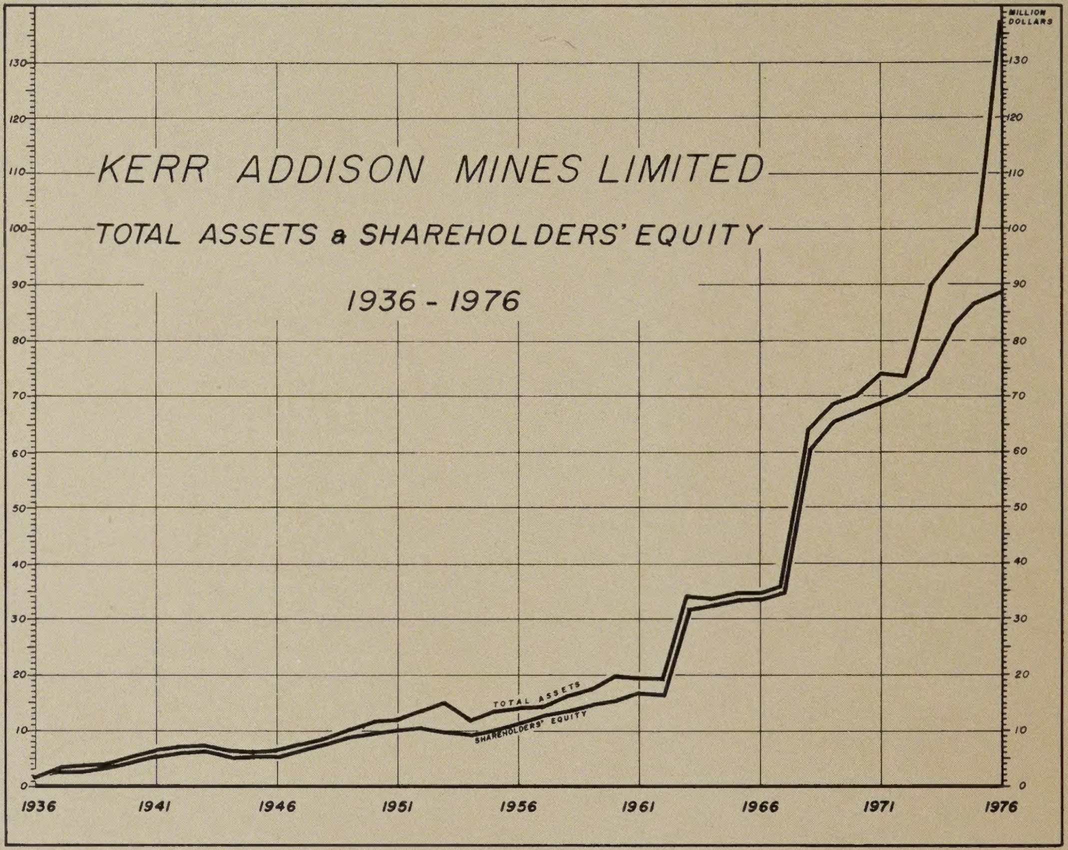
The reactivation of the Agnew Lake property to conduct large scale solution mining tests.

1975 The termination of operations at the Normetal mine, the Joutel mine and the Icon Sullivan mine, as ore reserves were exhausted.

1976 The purchase of a 75% interest in Mogul of Ireland Limited with its 3,000 tons per day zinc-lead mine located in County Tipperary, Republic of Ireland.

The purchase of the remaining outstanding shares and debentures of Agnew Lake Mines Limited, to obtain a 90% interest in the property.

The decision to bring the Agnew Lake uranium property into production at a minimum annual rate of 1,000,000 pounds of U_3O_8.



Normetal Mines Limited, Normetal, Quebec — 1937-1975

Quemont Mines Limited, Noranda, Quebec — 1949-1971

Joutel Copper Mines Limited, Joutel, Quebec — 1967-1975

Report on Operations

The following report reviews the operations of the producing mines, property development and evaluation as well as the exploration efforts of the Company.

KERR ADDISON MINE:
The Kerr Addison gold mine located at Virginiatown, Ontario, produced 264,200 tons of ore which was milled at a daily rate of 730 tons. At an average grade of 0.43 ounces gold per ton, 110,740 ounces were produced for a value of $13.4 million.

During early summer the price of gold declined to less than $110. per ounce, being very close to the cost of production. As a result, mining operations in lower grade areas were suspended, as there is flexibility within the remaining reserves to increase production in areas of higher grade without detrimental effect. By early September the work force had been reduced from slightly over 500 to approximately 420, at which point it remains at year-end. This was attained mainly by attrition, and through consolidation which reduced indirect labour requirements.

Lower grade reserves can be mined at a profit if milling rates can be increased. This, however, depends upon the availability of skilled miners, of which there has been a shortage for several years.

Reserves:
Reserves, including an allowance for dilution, but conditional on gold price levels are estimated as follows:

	Tons		Ounces of Gold Per Ton	
Estimated reserves at year-end:	1976	1975	1976	1975
Economic:	502,560	1,263,230	0.611	0.44
Low grade:	* 161,520		0.334	
	** 169,090		0.142	
	833,170		0.462	

Gold Brick — The Beginning and the Present

Reserves, as stated at December 31, 1975, have been reduced in excess of 1976 production by 130,600 tons at a grade of 0.262 ounces of gold per ton, which have become inaccessible to mining, and by the equivalent of 35,200 tons at a grade of 0.68 ounces of gold per ton, as ore mined in 1976 did not meet estimated block grades.

* This tonnage, at $125. per ounce gold, has an approximate value of $38.40 per ton which is below operating cost. However, if mill tonnage can be increased, thereby lowering unit costs, and/or the price of gold increases, it will be mined.

** This tonnage can be mined by shrinkage methods, at gold prices of approximately $130. per ounce, and as additional tonnage through the mill.

Blue Hill Joint Venture, Blue Hill, Maine

BLUE HILL JOINT VENTURE (Kerr Addison 60% interest):
This property located near Blue Hill, Maine, in which Kerr Addison holds a 60% interest, produced 176,100 tons of ore at average grades of 1.2% copper and 5.1% zinc, from which 1,820 tons of copper and 8,350 tons of zinc metal were produced in concentrates.

Due to production cutbacks by zinc converters, the zinc concentrate stockpile at the property increased from 7,150 tons at December 31, 1975, to 10,700 tons at December 31, 1976. Zinc concentrates which, until October, were shipped to National Zinc, Bartlesville, Oklahoma, are now shipped to St. Joe Minerals Corporation, Monaca, Pennsylvania. Copper concentrates are being shipped to the Noranda Mines smelter.

Reserves:
Reserves, including an allowance for dilution, are estimated as follows:

		Grade %	
	Tons	Copper	Zinc
Estimated at December 31, 1975	522,000	1.46	3.40
Estimated at December 31, 1976	219,000	1.46	3.20

In the 1976 estimate, 185,700 tons at a grade of 1.2% copper and 3.7% zinc have been deleted from the reserves of the previous year. The reserves, which occur below the Carlton Fault and which would necessitate considerable development, have been classified as uneconomic.

MOGUL OF IRELAND
(Kerr Addison 75% interest):
The Mogul mine, located at Silvermines, County Tipperary, Republic of Ireland, produced 1,004,500 tons at an average grade of 2.27% lead and 6.26% zinc from which 14,870 tons of lead and 54,760 tons of zinc metal were produced in concentrates. Metal recoveries were 65.2% and 87.0% for lead and zinc, respectively.

Mine development was concentrated in the trackless areas of the "B" and "G" zones and in the Upper "G" zone pillar recovery areas. At year-end an exploratory drive towards the "C" zone was commenced. Total development advance was 11,802 feet and prepared for stoping 782,615 tons. Underground diamond drilling amounted to 18,622 feet comprising 191 hole completions.

Street Scene in Nenagh, Ireland, where many Mogul employees live

The total ore broken from all sources amounted to 1,010,479 tons. Approximately 58% of mine production came from the trackless areas. Pillar recovery supplied 13%. Cemented and uncemented backfill placed underground totalled 167,580 tons. Long hole drilling amounted to 232,162 feet. At year-end broken ore reserve stood at 104,461 tons while the tonnage drilled off and not blasted was 141,543.

Total operating costs per ton milled, including exploration and marketing, increased 18.2% over last year. Power costs alone increased 23.5%. Total expenditures for labour and related benefits increased 15.8% and accounted for 50.0% of direct operating costs. The inflation rate in Ireland during 1976 was 20.6%.

Exploration in Ireland — Diamond Drilling

The Mogul Plant — 3,000 Tons Per Day

Report on Operations (continued)

Mineable ore reserves with dilution at year-end were as follows:

	Short Tons	% Lead	% Zinc
Upper "G" Zone:	2,165,603	1.73	7.52
Lower "G" Zone:	170,041	3.85	3.20
"B" Zone:	2,589,311	3.20	4.98
Broken Ore:	104,461	2.85	6.43
TOTAL	5,029,416	2.57	6.05

The number of employees at year-end was 562. The annual turnover rate was 5.8%. All collective agreements expired in July of 1976, but under the National Agreement, were extended to the end of 1976 and are currently the subject of renegotiation.

The compensable accident rate per million man-hours for 1976 decreased to 5.74 from 9.46 in 1975.

Mogul, through its subsidiary Shallee Exploration (Ireland) Limited, holds 51 prospecting licences in Ireland, some of which are the subject of a joint venture agreement with Betheire Ltd., a subsidiary of Bethlehem Copper Corporation. Extensive deep soil sampling and some geophysical surveying resulted in the drilling of 10 exploratory drill holes totalling 5,397 feet.

AGNEW LAKE JOINT VENTURE
(Kerr Addison 90% interest):

Development and construction at the Agnew Lake property has been extremely active since the decision of March 4th, 1976, to proceed to production.

Underground mine development and diamond drilling work was awarded to a contracting company, as their ability to mobilize mining crews for early development footage was required to meet the desired schedule.

Lateral development, consisting of access ramps from level to level, main haulage ways, and ore undercuts amounted to 20,772 feet. In addition, two 10-foot diameter ventilation raises and one 5-foot escape raise were bored from the 980 level of the mine through to surface for a total of 2,856 feet. Utilization of the raise borer has been one of the major factors in being able to prepare the mine for early production.

At year-end, the surface ore stockpiled amounted to 300,000 tons which together with first quarter production, will be available for leaching in the spring.

Diamond drilling, for ore definition to assist mine layouts and development, amounted to 21,120 feet from surface and 36,560 feet from underground.

Reserves:

	Tons	Lbs U_3O_8/Ton	Basis
Proven and Probable	6,585,000	1.11	Drilling, raising, closely spaced diamond drill holes.
Indicated	4,637,000	1.07	Diamond drill holes less than 500 feet apart.
Total estimated at December 31, 1976	11,222,000	1.09	

The cut-off grade used in the reserve estimate was 0.3 pounds U_3O_8 per ton. In addition, there is substantial tonnage inferred by widely spaced diamond drilling which will be brought to reserve classification by additional drilling and development during 1977.

Mine planning incorporates a one pass ventilation system. This is accomplished by developing to the extremities of the ore zones, at which point the exhaust ventilation raises are put through to surface. Blasthole stoping of the steeply dipping ore then retreats from the extremity toward the central downcast fresh air supply via shaft and raise.

The mining equipment to be used is the most modern available, having high mobility and performance characteristics.

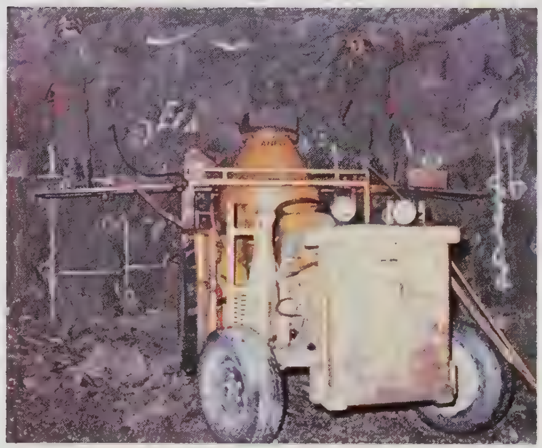
On surface, in all phases of design and construction, special emphasis has been given to environmental protection. Dams, ponds and stockpile areas have been constructed with impervious membranes to prevent solution loss detrimental to the natural ground water. The waste solution disposal pipeline has been constructed as pipelines within pipelines, so that any leakage from the main carrier is immediately caught in the outer pipe and remains under control.

Concrete floors laid in the processing areas are of the post-tensioned type to guarantee non-cracking, so that any internal spills cannot penetrate to the soil beneath and are drained off to underground catchment tanks to be pumped back into the circuit.

As a result of the engineering design, both underground and on surface, where utmost consideration has been given to the working and surrounding environment, and through co-operation with the regulatory authorities during the design phases, all necessary licences for production have been obtained.

At year-end, the project was ahead of schedule, within budget, and first production is expected in the second quarter of 1977.

Agnew Lake Mines Limited — Scene of Activities — October, 1976



Modern Equipment in us
at the Agnew Lak

Top left: Electric-hydraulic 3-boom drill jumbo, used for advancing development headings

Top centre: 26-ton, four-wheel-drive rear dump truck, for longer distance rock haulage

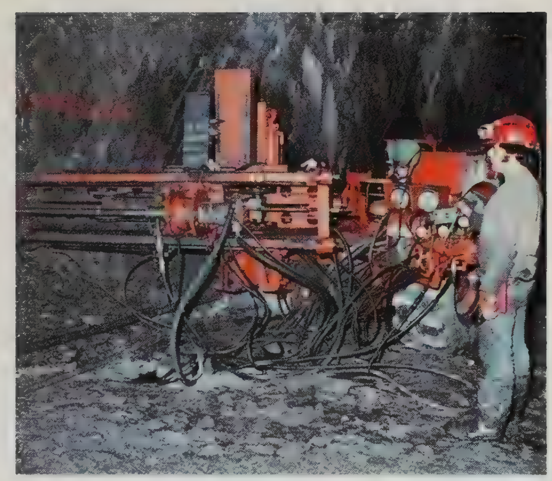
Top right: Electric-hydraulic stationary long-hole diamond drill, for underground exploration

Middle left: Mobile ammonium nitrate explosive drill hole charger (1,000-pound capacity) for development headings

Middle centre: Drill jumbo for rock bolt holes, to provide stable ground conditions

Bottom left: ST-8 scooptram (8-cubic-yard capacity) for loading and hauling of rock over short distances

Bottom centre: D.H.D. down-the-hole drill for 4½ inch or 6½ inch holes, with auxilliary high pressure compressor in the background, used for long-hold stoping

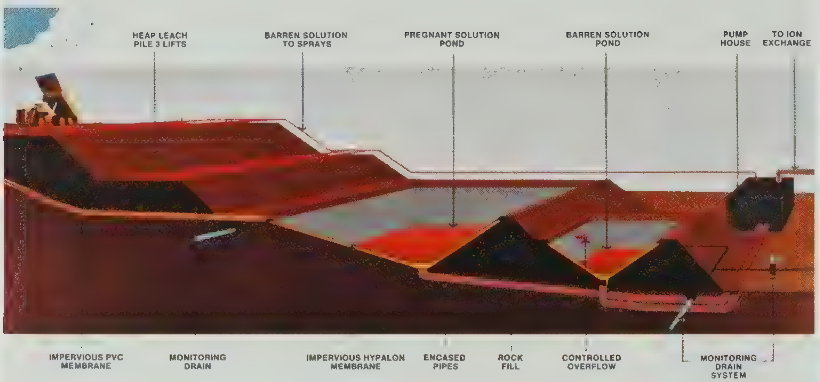


Electric-hydraulic mobile, short-hole diamond drill, used for ore zone definition

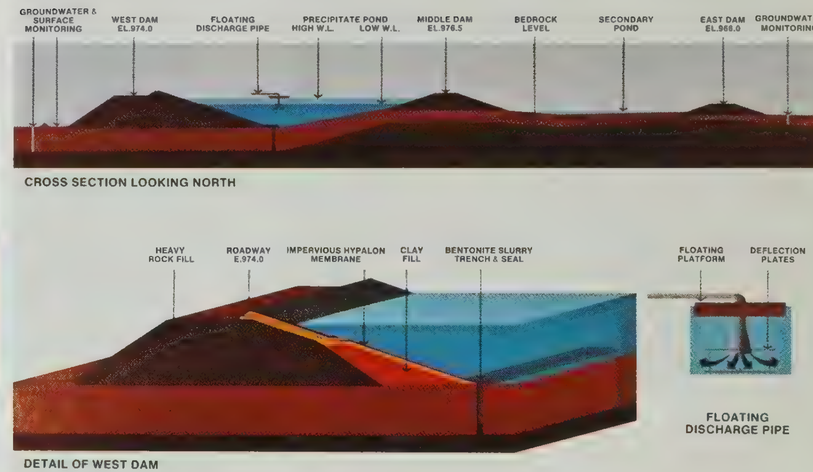
oint Venture:

The drive portion of the Subterranean 009 raise boring machine set up on surface and drilling the first 1,000-foot ventilation raise

The 10-foot-diameter boring head, operating 1,000 feet underground, to be rotated and pulled back up to surface by the drive equipment, shown above, thereby providing an absolutely safe method of raising, and a highly efficient smooth-walled, exhaust air-hole to surface.



Schematic drawing of the surface leaching system and incorporated environmental protection



Schematic drawing of waste solution treatment and retention ponds, to provide an acceptable effluent. Special emphasis on dam construction directs any flow away from streams and lakes used for recreational purposes

Waste solution pipelines being installed to the treatment and retention ponds. Insert shows pipelines within pipelines, to contain any possible leakage which would drain either to the waste ponds or back to the plant, thereby assuring environmental protection

30-mil reinforced hypalon membrane as laid down on the inside facing of the West Dam, shown above in schematic, prior to covering with sand and protective "rip-rap."

Post tensioning cables in the floor prior to the concrete being poured at the solvent extraction building, to assure non-cracking of concrete. This method of laying floors is used throughout the plant in process areas to contain any possible solution spill. Should spills occur, they would drain to large underground storage tanks, later to be pumped back into the circuit

AND THE FUTURE:

GRUM JOINT VENTURE (Kerr Addison 60% interest):

The Grum zinc-lead-silver deposit, in which Kerr Addison holds a 60% interest, is located approximately one and one half miles from the Vangorda zinc-lead-silver deposit (Kerr Addison 69% interest) near Faro in the Yukon.

The on-site programme of surface and underground evaluation of the Grum deposit, which was started in April, 1975, was completed in October, 1976, and the property was put on a care and maintenance basis pending the results of feasibility work. To that time, development statistics were as follows:

Underground Development	1976	Programme to Date
Access Decline	—	3,399 ft.
Drifts, Cross Cuts, etc.	4,295 ft.	4,865 ft.
Sumps, D. Drill Stations, Slashing, etc.	446 ft.	1,299 ft.
Ventilation Raise	—	427 ft.
Diamond Drilling		
Surface	16,411 ft.	82,730 ft.
Underground	60,463 ft.	62,362 ft.

The purposes of the programme were to determine the geology and geometry of the deposit, to develop a reliable grade and tonnage inventory, to take sufficient samples for metallurgical testing and to study underground mining conditions and costs. In excess of 2,800 feet of the deposit length and 1,100 feet of its width were explored with surface holes. Of this, 2,200 feet of length and up to 900 feet of width were explored from the underground workings.

Geological sections, based upon the information from the programme, are being prepared and mineral reserves calculated. Major sulphide zones have been outlined, and it is now possible to investigate open-pit methods for a considerable portion of the known mineralization.

Studies of diamond drill core containing sulphide mineralization, carried out late in 1976, have indicated several different mineralogical compositions within the total sulphide zone. Metallurgical testing of the different zones has indicated that approximately 85% of the known zinc-lead mineralization will respond satisfactorily to flotation. The remaining 15% will respond to flotation, however, recoveries will be lower than desired. Bench scale test work will be continued to absolutely confirm the recent findings prior to a bulk sample pilot mill run.

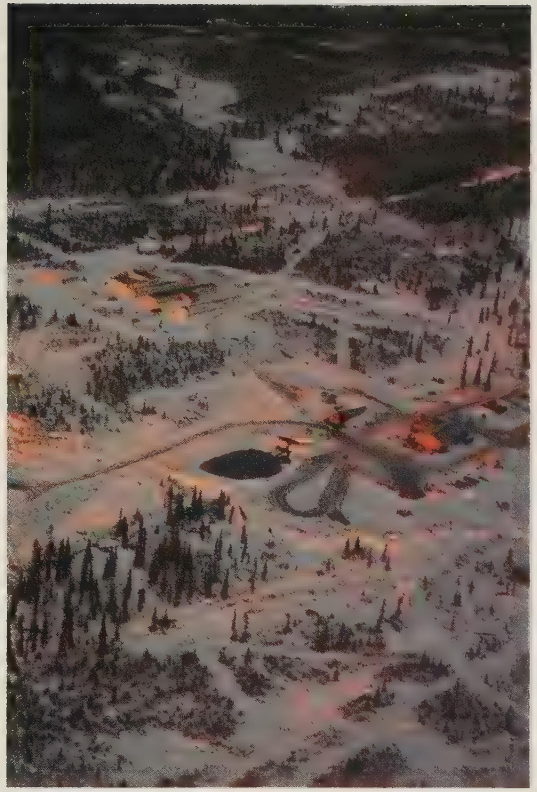
Regional ecological studies are continuing and a preliminary study of on-site power generation, utilizing coal reserves from the Carmacks, Yukon, area which is on the concentrate back haul route, has been completed.

During 1977, work will continue to establish the feasibility of the project.

EXPLORATION:

Exploration emphasis during the year was shifted to specific project or property situations away from the "grass roots" or regional approach. Expenditures amounted to $2.3 million of which 80% was in Canada and 20% in the United States and Ireland.

Projects of particular interest are; the Tyee Joint Venture prospect near Kelowna, British Columbia, in which Kerr Addison together with Noranda may earn a 60% interest to be shared equally. On this property, diamond drilling has intersected ore grade uranium values at shallow depths. Kerr Addison has also staked a number of 100% owned claims in the Kelowna area covering geological environment similar to the Tyee prospect, with diamond drilling to commence early in the year to investigate geophysical targets. As well, Kerr Addison staked a number of claims north of Revelstoke, British Columbia, where copper-zinc mineralization has been indicated in surface pits. Diamond drill evaluation



Aerial view of the surface facilities and decline entrance leading to the zinc-lead mineralization at the Grum Joint Venture in the Yukon

The 18-foot diameter decline entrance, showing the 54-inch ventilation tubing at top and a scooptram coming from underground

will be done there during the summer of 1977. The geology is thought to be similar to the nearby Noranda Goldstream deposit.

Kerr Addison has entered into a joint venture with Dome Mines Limited and Imperial Oil Limited, with all parties sharing equally, to explore claims near Yarmouth, Nova Scotia, where scattered boulders containing high grade copper have been discovered as float.

Diamond drilling from the Kerr Addison mine workings on the Sheldon-Larder project which was suspended during the period of lower gold prices, was resumed near year-end.

Exploration drilling is being continued on the vast acreage held by the Fernandez Joint Venture in the Ambrosia Lake District of New Mexico in efforts to discover other uranium deposits.

It is planned that total exploration expenditures in 1977 will again exceed $2.0 million.

Toronto, Canada.
January 31, 1977

A surface diamond drill setup exploring for potential ore

Kerr Addison Mines Limited

Consolidated Statement of Operations

For the year ended December 31, 1976

(with comparative figures for 1975)

	1976	1975
Mine operations: Value of production (note 1(c))	$38,408,000	$25,726,000
Cost of metal production	25,604,000	17,365,000
	12,804,000	8,361,000
Dividends and interest income (net of interest expense of $360,000 in 1976)	2,890,000	5,316,000
	15,694,000	13,677,000
Deduct: Administrative and general expenses	673,000	659,000
Outside exploration expenses (note 1(e))	2,322,000	2,612,000
Depreciation and depletion (note 1(d))	2,617,000	1,680,000
Income and mining taxes (note 1(f))	4,198,000	1,504,000
Minority interest in profit of subsidiary companies	811,000	76,000
	10,621,000	6,531,000
Profit before the following	5,073,000	7,146,000
Add (deduct): Gain on sale of investments and fixed assets (net of income taxes — 1976 — $505,000; 1975 — $242,000)	2,351,000	286,000
Gain on sale of undivided 10% interest in assets of Agnew Lake Mines Limited (net of income taxes of $451,000 and minority interest of $169,000)		2,420,000
Write-down in carrying value of property, plant and equipment (net of income taxes — 1976 — $70,000; 1975 — $600,000) (Note 5)	(650,000)	(900,000)
Net income for the year	$ 6,774,000	$ 8,952,000
Net income per share	$.71	$.94

(See accompanying notes to consolidated financial statements)

Kerr Addison Mines Limited

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

December 31, 1976
(with comparative figures at December 31, 1975)

ASSETS	1976	1975
Current:		
Cash, term deposits and short-term notes	$ 18,769,000	$ 7,824,000
Marketable securities and short-term investments at cost (quoted market value 1976 — $14,616,000; 1975 — $17,346,000)	11,684,000	15,073,000
Concentrates, bullion and metals awaiting settlement, in transit and on hand (note 1(c))	12,547,000	10,469,000
Accounts and interest receivable	2,643,000	2,051,000
Supplies and materials, at cost	3,067,000	1,543,000
Prepaid expenses	214,000	109,000
Total current assets	48,924,000	37,069,000
Investments:		
Other mining companies (note 3)	27,361,000	30,869,000
Sundry, at cost	1,019,000	998,000
	28,380,000	31,867,000
Fixed (note 1(d) and note 5)		
Property, plant and equipment, at cost	52,645,000	30,656,000
Less accumulated depreciation and depletion	34,086,000	22,225,000
	18,559,000	8,431,000
Deferred exploration and development expenditures (note 1(e)):		
Agnew Lake property (note 4)	33,873,000	17,403,000
Grum project	6,929,000	3,585,000
Other	571,000	511,000
	41,373,000	21,499,000
	$137,236,000	$ 98,866,000

(See accompanying notes to consolidated financial statements)

LIABILITIES	1976	1975
Current:		
Bank loan	$ 3,000,000	
Accounts payable and accrued charges	6,990,000	$ 2,428,000
Income and mining taxes payable	6,015,000	648,000
Total current liabilities	16,005,000	3,076,000
Deferred income taxes (note 1(f))	7,344,000	4,247,000
Deferred revenue (note 4(c))	23,820,000	
Long-term debt		4,264,000
Minority interest in subsidiaries	1,837,000	1,067,000
Shareholders' equity:		
Share capital (note 6)	41,489,000	41,476,000
Earned surplus	46,741,000	44,736,000
	88,230,000	86,212,000
	$137,236,000	$ 98,866,000

On behalf of the Board: W. S. ROW, Director WILLIAM JAMES, Director

Auditors' Report

To the Shareholders of Kerr Addison Mines Limited:

We have examined the consolidated balance sheet of Kerr Addison Mines Limited as at December 31, 1976 and the consolidated statements of operations, earned surplus and changes in financial position for the year then ended. Our examination of the financial statements of Kerr Addison Mines Limited and those subsidiaries of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of a subsidiary company, Mogul of Ireland Limited.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co., Chartered Accountants
Toronto, Canada, February 4, 1977.

Consolidated Statement of Earned Surplus

For the year ended December 31, 1976 (with comparative figures for 1975)

	1976	1975
Balance, beginning of year	$44,736,000	$40,552,000
Add net income for the year	6,774,000	8,952,000
	51,510,000	49,504,000
Deduct dividends (50¢ per share)	4,769,000	4,768,000
Balance, end of year	$46,741,000	$44,736,000

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1976 (with comparative figures for 1975)

	1976	1975
Source of funds:		
From operations — Net income for the year	$ 6,774,000	$ 8,952,000
Add (deduct): Depreciation and depletion (note 1(d))	2,617,000	1,680,000
Other non-fund items (net)	1,096,000	(1,229,000)
	10,487,000	9,403,000
Proceeds on sale of undivided 10% interest in assets of Agnew Lake Mines Limited		4,800,000
Proceeds on sale of other mining companies, sundry investments, and fixed assets	4,886,000	702,000
Increase in long-term debt		424,000
Issue of shares for cash (note 6(b))	13,000	8,000
Proceeds on sale of uranium concentrate (note 4(c))	23,820,000	
	39,206,000	15,337,000
Application of funds:		
Additions to property, plant and equipment	910,000	3,168,000
Increase in investment in other mining companies	21,000	146,000
Deferred exploration and development expenditures	3,404,000	2,552,000
Decrease in minority interest in subsidiaries	1,317,000	151,000
Expenditures on Agnew Lake property (net) (note 4(a))	16,470,000	2,622,000
Acquisition of additional 8.3% share interest and debentures in Agnew Lake Mines Limited (note 4(e))	4,575,000	
Acquisition of 75% share interest in Mogul of Ireland Limited for $9,152,000 less working capital acquired of $338,000 (note 2)	8,814,000	
Dividends	4,769,000	4,768,000
	40,280,000	13,407,000
Increase (decrease) in working capital	(1,074,000)	1,930,000
Working capital, beginning of year	33,993,000	32,063,000
Working capital, end of year	$32,919,000	$33,993,000

(See accompanying notes to consolidated financial statements)

Kerr Addison Mines Limited

Notes to Consolidated Financial Statements

December 31, 1976

1. **Summary of significant accounting policies**

(a) Basis of presentation of financial statements —
The accompanying financial statements include, on a consolidated basis, the accounts of Kerr Addison Mines Limited and its wholly-owned subsidiaries, Agnew Lake Mines Limited, Normetal Mines Limited, Quemont Mines Limited, Keradamex, Inc., Kerramerican, Inc. and its partially-owned subsidiaries, Joutel Copper Mines Limited (63.3% owned), Vangorda Mines Limited (69% owned), and, in 1976, Mogul of Ireland Limited (75% owned) (note 2). The Blue Hill and Icon Sullivan Joint Ventures are included in the consolidated accounts on the basis of the company's proportionate share of the assets, liabilities, revenues and expenses relating thereto.

(b) Translation of foreign currencies —
The statements of companies outside of Canada have been translated into Canadian dollars as follows: current assets and current liabilities at exchange rates prevailing at the year-end; fixed assets, depreciation and depletion provisions on the basis of rates prevailing at dates of acquisition and income and expenses (other than depreciation and depletion) at average rates during the year. Exchange gains or losses resulting from such translation practices, which to date have not been material, are reflected in the consolidated statement of operations.

(c) Concentrates, bullion and metals —
Consistent with industry practice, the company records as revenue the value of production of concentrates, bullion, and metals awaiting settlement, in transit and on hand at estimated net returns under sales contracts.

(d) Property, plant and equipment —
Additions to property, plant and equipment are recorded at cost and include previously deferred exploration and development expenditures on properties which have been brought into production. Depreciation and depletion thereon is provided at rates designed to write off the costs over their estimated useful lives which, in the case of property, plant and equipment of the Blue Hill Joint Venture and Mogul of Ireland Limited have been determined on units of production based on estimated reserves. Substantially all other fixed assets are being depreciated in equal annual amounts over their estimated useful lives.

(e) Exploration and development expenditures —
Exploration and development expenditures are charged against current earnings unless they relate to interests in properties where the reserves have the potential of being economically recoverable, in which case the expenditures are deferred. Upon disposal or abandonment of such interest, the net gain or loss is reflected in the consolidated statement of operations. If the properties are brought into production, deferred exploration and development expenditures relating thereto are reclassified with property, plant and equipment and amortized as explained in (note 1(d)).

(f) Income taxes —
The company follows the tax allocation method of providing for income taxes. Under this method, timing differences between reported and taxable income (relating primarily to exploration and development expenditures claimed for tax purposes in excess of amounts written off in the accounts and capital cost allowances claimed for tax purposes in excess of depreciation recorded in the accounts) result in deferred taxes.

2. **Purchase of shares of Mogul of Ireland Limited**

On March 9, 1976 the company purchased for cash a 75% interest (represented by 375,000 common shares) in Mogul of Ireland Limited, a company operating a base metal mine in the Republic of Ireland.

The acquisition has been accounted for using the purchase method, and the results of its operations are reflected in the consolidated financial statements from the date of acquisition. A summary of net assets acquired is set out below:

Working capital, at book value		$ 338,000
Property, plant and equipment, at net book value	8,186,000	
Excess of cost of shares over Kerr Addison Mines Limited's interest in net assets acquired, attributed to property and equipment	4,387,000	12,573,000
		12,911,000
Less —		
Deferred income taxes	2,171,000	
Minority interest	1,588,000	3,759,000
Total purchase price		$ 9,152,000

3. **Investments in other mining companies**

These investments represent shares of other mining companies which are being held on a relatively long-term basis. Such investments, which were carried at cost of $27,361,000 at December 31, 1976 and $30,869,000 at December 31, 1975 had quoted market values of approximately $52,839,000 at December 31, 1976 and $57,518,000 at December 31, 1975 (computed by pricing the individual holdings at the closing market quotations). Included in this category are 1,600,000 shares of Noranda Mines Limited, carried at a cost of $21,727,000 at December 31, 1976 and 1975, which had a quoted market value of $45,760,000 at December 31, 1976 and $46,400,000 at December 31, 1975. The market values of these investments do not necessarily represent the value of these holdings, which may be more or less than indicated by market quotations.

At December 31, 1976, 715,000 shares of Noranda Mines Limited had been pledged as security for repayment, by Agnew Lake Mines Limited, of its obligations under the loan agreement outlined in note 4(b).

4. **Agnew Lake**

(a) During the year, the Agnew Lake Joint Venture, in which Agnew Lake Mines Limited ("Agnew") has a 90% interest, commenced development of a production unit with an estimated annual capacity of 1,000,000 pounds of uranium concentrate at its Agnew Lake property.

Agnew's share of costs to December 31, 1976, all of which have been deferred, consists of the following:

	Balance January 1, 1976	Additions during the year	Balance December 31, 1976
Expenditures on property, plant and equipment	$ 6,324,000	$ 8,182,000	$14,506,000
Expenditures for exploration, development and other expenditures	11,079,000	8,288,000	19,367,000
	$17,403,000	$16,470,000	$33,873,000

It is estimated that production will commence by mid-1977 and that Agnew's share of additional costs to bring the facility into production will amount to approximately $13,500,000.

(b) During the year, Agnew entered into an agreement with Eldorado Nuclear Limited ("Eldorado") whereby it has borrowed from Eldorado 600,000 pounds of uranium concentrate and obtained an option, exercisable to December 31, 1977, to borrow up to an additional 1,400,000 pounds of concentrate. Under this agreement, Agnew has four years from the date of delivery to return borrowed concentrate in kind.

Under the terms of the agreement, Agnew must pay interest on the loan value of borrowed concentrate at a rate equal to that charged from time to time by the Federal Government on five year loans to Crown Corporations (currently 8⅛%). In addition, Agnew is required to pay a standby fee at an annual rate of ½ of 1% on the loan value of unloaned concentrate. For the purposes of these calculations, the loan value of concentrate is $40 per pound for concentrate delivered prior to December 31, 1976 and the greater of $40 per pound and the sale price per pound for concentrate delivered after December 31, 1976. In the event that borrowed concentrate exceeds 1,000,000 pounds, Agnew must place in escrow, with a Canadian chartered bank, the loan value of amounts in excess of 1,000,000 pounds until such concentrate is returned in kind.

If Agnew is unable to meet its obligations to return borrowed concentrate in kind, the lender of the concentrate may purchase concentrate from an outside party and Agnew must reimburse the lender for all costs related to the purchase. As collateral for the loan agreement, Agnew has given Eldorado a debenture which is secured by a fixed and floating charge on all of its assets and undertakings. Agnew's assets amounted to $53,841,000 at December 31, 1976.

Kerr Addison Mines Limited has guaranteed all obligations of Agnew under the above loan agreement. As part of this guarantee Kerr Addison Mines Limited has agreed to deposit up to a maximum of 1,300,000 shares of Noranda Mines Limited with a Trustee as security for repayment by Agnew of its commitments under the loan agreement described above. The number of shares to be lodged is dependent upon the loan value of borrowed concentrate and the market value of Noranda shares. 715,000 shares had been lodged with the Trustee at December 31, 1976.

(c) Concurrent with the loan agreement referred to above, Agnew sold 600,000 pounds of borrowed concentrate. The concentrate was delivered on October 15, 1976, and at December 31, 1976 the proceeds thereon of $23,820,000 have been included in the accompanying consolidated balance sheet as deferred revenue. After Agnew commences production, the deferred revenue less production costs will be included in operations as the borrowed concentrate is repaid.

(d) In 1976, Agnew entered into an agreement whereby it would sell 1,100,000 pounds of uranium concentrate beginning July, 1977 with final deliveries to be made in May, 1980.

(e) On March 8, 1976, the company acquired the remaining shares and debentures plus accrued interest of Agnew from a previous owner for cash of $4,875,000 (increasing the company's interest from 91.7% to 100%).

The excess of purchase cost over the company's interest in net assets acquired ($300,000) has been allocated to deferred exploration and development expenditures.

5. **Write-down in carrying value of property, plant and equipment**

As explained in the 1975 consolidated financial statements, the company's projections for the estimated remaining life of the Blue Hill Joint Venture indicated that not all of the undepreciated cost of property, plant and equipment would be recovered through operations and accordingly, the carrying value was reduced by a charge to operations. On the basis of the company's most recent projections for the estimated remaining life of the Joint Venture, a further write-down of $650,000 (net of related taxes) has been charged to operations in 1976.

6. **Share capital**

(a) Details of share capital are as follows:

	Number of shares
Authorized —	
Class A shares without par value	11,500,000
Class B shares without par value	999,000
Common shares without par value	1,000
	12,500,000

	1976	1975
Issued and outstanding —		
Class A	8,987,884	8,989,693
Class B	550,065	546,756
	9,537,949	9,536,449

The Class A and Class B shares are interchangeable one to another and participate equally with the common shares as to dividends and in all other respects. The only distinction is that for Class B shares, the directors may provide for the payment, in whole or in part, of a cash dividend out of tax-paid undistributed income on hand or out of 1971 capital surplus on hand (as defined in the Income Tax Act). At December 31, 1976, the company had capital surplus on hand (as defined) but had no 1971 undistributed income on hand (as defined).

(b) In 1976, 1,500 Class A shares were issued under the company's stock option plan for $13,000 cash. At December 31, 1976, options on 53,000 shares were outstanding, exercisable at prices varying from $8.14 to $13.42 for periods up to 1986.

7. **Contingent liabilities**

A subsidiary company, Mogul of Ireland Limited, is contingently liable with respect to accounts receivable discounted in the amount of $2,580,000 at December 31, 1976.

8. **Federal Government Anti-Inflation Program**

The company is subject to, and believes it has complied with, controls on prices, profits, employee compensation and shareholder dividends under the Federal Anti-Inflation Program.

Under existing regulations, dividends to the company's Class A and Class B shareholders during the year ending October 13, 1977 may not exceed $.76 per share.

9. **Statutory information**

(a) Total direct remuneration paid by the company and its subsidiaries to directors and senior officers during the year ended December 31, 1976 amounted to $378,000 ($305,000 in 1975).

(b) Included in accounts and interest receivable at December 31, 1976 are housing loans aggregating $68,000 to certain officers of the company.

Printed in Canada.

Earnings of $3,360,000, or 35 cents per share, included 13 cents per share profit from sale of investments and fixed assets during the first half of 1976. Of this, first quarter earnings were $2,119,000, or 22 cents per share, and second quarter earnings were $1,241,000, or 13 cents per share. Earnings for the first half of 1975 amounted to 53 cents per share and included 2 cents per share in gains from sale of assets. The depressed level of gold prices this year, as compared to the first half of 1975, and substantially lower investment income were the principal causes of lower earnings during 1976. The 75% interest in Mogul of Ireland, acquired in March, 1976, made a substantial contribution to earnings.

At a recent meeting of the Board of Directors a dividend of ten cents per share was declared payable September 16, 1976 to shareholders of record on August 27, 1976.

The programme to bring the Agnew Lake uranium property, located near Espanola, Ontario, into production has had a good start, with all phases on or ahead of schedule. Production is expected to commence during 1977.

Agnew Lake Mines Limited has entered into a letter of intent dated July 8, 1976 with Yankee Atomic Electric Company, of Westborough, Massachusetts, Vermont Yankee Nuclear Power Corporation, Maine Yankee Atomic Power Company and Public Service Company of New Hampshire for the sale of 1,100,000 pounds of U_3O_8 for delivery through to 1980. The agreement is conditional upon the receipt of all necessary Canadian government approvals, licences and permits. As well, negotiations for the sale of uranium to the Swedish Nuclear Fuel Supply Company are continuing.

At the 60% owned Grum Joint Venture zinc/lead/silver property located near Faro, Yukon Territory, 4,460 feet of underground headings, completing this portion of the programme, were driven during the first half of 1976. Underground diamond drilling amounted to 29,000 feet and the current drilling programme will be completed during the fourth quarter of 1976. Diamond drill results on sections spaced at 200 foot intervals over four sections indicate a continuity of mineral deposition in a complex fold structure. Metallurgical studies are continuing.

WILLIAM JAMES,
President.

Toronto, Canada,
July 22, 1976.

Printed in Canada

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KERR ADDISON MINES LIMITED

Interim Report for the six months ended June 30, 1976

KERR ADDISON MINES LIMITED

CONSOLIDATED FINANCIAL SUMMARY
FOR THE SIX MONTHS ENDED JUNE 30, 1976
(Unaudited)

STATEMENT OF OPERATIONS

	Six Months 1976	Six Months 1975
Revenue from metal production	$17,183,000	$15,515,000
Investment income	1,587,000	2,679,000
	18,770,000	18,194,000
Operating costs	12,394,000	9,669,000
Exploration	1,153,000	934,000
Depreciation and depletion	1,296,000	886,000
Income and mining taxes	1,398,000	1,770,000
	16,241,000	13,259,000
Profit before the following	2,529,000	4,935,000
Profit on sale of investments and fixed assets (net of income taxes)	1,242,000	189,000
Profit before minority interests	3,771,000	5,124,000
Minority interests in profit of subsidiary companies	411,000	35,000
Net Profit	$ 3,360,000	$ 5,089,000
Net Profit per share	35¢	53¢

STATEMENT OF CHANGES IN FINANCIAL POSITION

		1976	1975
Source:	Net Profit from operations	$ 3,360,000	$ 5,089,000
	Depreciation and depletion	1,296,000	886,000
	Increase in deferred income taxes	1,057,000	193,000
		5,713,000	6,168,000
	Investment and advances	3,673,000	*
	Issue of shares for cash	4,000	4,000
		9,390,000	6,172,000
Application:	Dividends declared	1,907,000	1,907,000
	Additions to property, plant and equipment (net)	359,000	1,975,000
	Expenditures on Agnew Lake project	3,961,000	694,000
	Expenditures on Grum project	1,991,000	1,166,000
	Deferred exploration expenditures	16,000	(13,000)
	Purchase of 75% interest in Mogul of Ireland	9,146,000	*
	Purchase of minority interest in Agnew Lake Mines Limited	4,875,000	*
	Change in minority interest	332,000	(45,000)
		22,587,000	5,684,000
Increase (Decrease) in Working Capital		($13,197,000)	$ 488,000